



iSTAR PILOT FINANCIAL ANALYSIS CITY OF LONG BEACH PORTION

Public Presentation - May 9, 2017

*Notes- All amounts are estimated and are based upon the expected PILOT application or as noted. Amounts are specific to the City's portion of the expected PILOT.

Revenue Comparison_(over 20 years)

Current Revenue Stream

≈ \$5.4 Million

- FY2017 Taxes Paid = \$220,975
- 20 Years of land-only taxes ≈ \$5.4M*

Revenue Stream with PILOT

≈ \$34.7 Million

- Year 1 PILOT amount ≈ \$480,455 (117% increase)
- Incidental Revenue ≈ \$18.4M
- 20 Years of PILOT payments ≈ \$15.9M**

- Had year 1 of the PILOT been in FY2017, residential taxes would have decreased marginally.
- The City estimates the projects' full value market taxes are \$57M ***

NOTES:

- PILOT- Payment in Lieu of Taxes
- *Assumes a 2% average annual increase (based on NYS Tax Cap)
- ** Per the PILOT application detail provided to the City
- ***Amount adjusted up from \$47.7M to assume a 2% annual increase in property taxes (PILOT detail uses 0.2%).

Revenue Detail (with PILOT)

- ✓ \$15.9m in PILOT payments
 - ✓ Annual payment increases \$260k in year 1 (revenue equivalent of a 0.73% tax increase)
- ✓ \$5.9M in sanitation fees- no abatement, pays full cost
- ✓ \$3.4M in various permit fees
- ✓ \$2.5M towards litigation judgment- reduced surcharge to residents by 16% (from 5.03% to 4.34%)
- ✓ \$3M in infrastructure improvements
- ✓ \$4.1M for host benefit agreement

Total estimated revenue- \$34.7 Million

(Does not include amounts iStar residents will pay for Water and Sewer charges)

PILOT VALUE (Abatement)

- Adjusted Abatement*- City Portion
 - \$22.3 Million over 20 years (\$1.12M a year)
 - *After we adjust for incidental/service revenue (detailed below)

Total Estimated Abatement	\$ 41,102,670 [★]
Fees	(3,366,000)
Judgment Contribution	(2,500,000)
Infrastructure Improvements	(3,000,000)
Host Benefit Agreement	(4,100,000)
Sanitation Charges	(5,875,408)
Adjusted Abatement	\$ 22,261,262

- Assumptions-
 - 2% increase in Market Value (MV) taxes each year
 - ★ Amount adjusted up from \$31M to assume a 2% annual increase in property taxes (PILOT detail used 0.2%)
 - \$25 increase in residential sanitation assumed every three years

First 10 Years

Current

- Land-only taxes ≈ \$2.4M in revenue

PILOT

- ≈\$21.1M in total revenue (almost 9x the amount)

FIRST 10 YEARS- SIDE BY SIDE COMPARISON

Land-Only Taxes	\$ 2,419,615	PILOT Payments	\$ 5,885,939
		Fees	3,366,000
		Judgment Contribution	2,500,000
		Infrastructure Improvements	3,000,000
		Host Benefit Agreement	4,100,000
		Sanitation Charges	2,266,708
		Total	\$ 21,118,647

Note: Litigation defense costs not factored in. Could greatly offset annual revenue amounts

Notes: Land-only taxes amount assumes a 2% annual increase (per NYS Tax Cap); PILOT payments are per PILOT detail provided to the City

Full 20 Years

Current

- 20 Years of land-only taxes ≈ \$5.4M in revenue

PILOT

- ≈\$34.7M in total revenue

FULL 20 YEARS- SIDE BY SIDE COMPARISON

Land-Only Taxes	<u>\$ 5,369,111</u>	PILOT Payments	\$ 15,854,969
		Fees	3,366,000
Note: Litigation defense costs		Judgment Contribution	2,500,000
not factored in. Could greatly offset		Infrastructure Improvements	3,000,000
annual revenue amounts		Host Benefit Agreement	4,100,000
		Sanitation Charges	5,875,408
		Total	<u>\$ 34,696,377</u>

Notes: Land-only taxes amount assumes a 2% annual increase (per NYS Tax Cap); PILOT payments are per PILOT detail provided to the City

Other Financial Considerations

- Profit Cap-
 - 8% cap on profits from the project may result in additional payments to the City
 - PILOT and incidental revenue represent a minimum amount
- Condominiums
 - iStar may elect to convert some units to condos
 - Not eligible for abatement
 - Proportionately decreases PILOT and adds full taxes

NOTE: These items are not guaranteed and, therefore, have not been included in any revenue projections

Overall Comparison

Current (No PILOT/No Project)

- \$5.4M in land taxes
- No development of property
- City may pay hundreds of thousands of tax dollars every year to defend lawsuit (may outpace tax revenue from land)

PILOT/Project

- \$15.9M in PILOT payments
- \$18.4M in incidental/service revenue
- Fully developed property
- Will pay full Market Value taxes in year 21
- Economic benefits as per the IDA